

## Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 COME-00 TRSE-00 OMB-01 CIAE-00

DODE-00 INR-07 NSAE-00 PA-01 USIA-06 PRS-01 SP-02

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FM AMCONSUL MILAN

TO SECSTATE WASHDC 5240

AMEMBASSY ROME

INFO USMISSION EC BRUSSELS

AMCONSUL TURIN UNN

C O N F I D E N T I A L MILAN 0277

E.O. 11652: GDS

TAGS: EIND, EINV, ENRG, IT

SUBJECT: WESTINGHOUSE TO SELL ITALIAN SUBSIDIARIES UNDER  
GOVERNMENT PRESSURE

1. SUMMARY. WESTINGHOUSE HAS OFFERED FOR SALE ITS  
MAJORITY SHARE IN TWO COMPANIES WORKING IN NUCLEAR FIELD,  
SOPREN AND COREN. DECISION IS RESULT OF CONTINUED  
PRESSURE FROM ITALIAN GOVERNMENT TO PLACE ENTIRE ELECTRO-  
NUCLEAR SECTOR UNDER DOMESTIC OWNERSHIP. WESTINGHOUSE  
PLANS TO REMAIN IN ITALY AS LICENSOR OF ITS PWR REACTOR  
BUT CLAIMS IT WILL LEAVE THE FIELD TO OTHER TECHNOLOGIES  
IF ITALIAN GOVERNMENT DOES NOT MEET ITS TERMS. END SUMMARY.

2. RECENT ARTICLES APPEARING IN MILAN NEWSPAPERS 24 ORE  
AND CORRIERE DELLA SERA ANNOUNCED WESTINGHOUSE'S DECISION  
TO SELL TWO ITALIAN SUBSIDIARIES WORKING IN NUCLEAR POWER  
FIELD, COREN AND SOPREN. ARTICLES SPECULATED THAT  
MOTIVE IS WESTINGHOUSE ATTEMPT TO REDUCE ITS DIRECT PRESENCE  
IN EUROPE AS A RESULT OF FINANCIAL PROBLEMS IN U.S.

3. WESTINGHOUSE GENERAL MANAGER IN ITALY GAVE ECON OFFICER  
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SUBSTANTIALLY DIFFERENT MOTIVE. ACCORDING TO HIM,  
WESTINGHOUSE IS IN FACT TRYING TO SELL ITS MAJORITY SHARE  
IN BOTH COREN, WHICH PROCESSES NUCLEAR FUEL FOR PWR REACTOR  
BUILT WITH WESTINGHOUSE TECHNOLOGY, AND SPREN, WHICH HOLDS  
LICENSE WITH WESTINGHOUSE FOR PWR REACTOR SOFTWARE.  
(MINORITY SHARE OF BOTH COMPANIES IS HELD BY WESTINGHOUSE'S  
PARTNERS IN NUCLEAR FIELD, FIAT AND BREDAS.) IN CASE OF

COREN; WESTINGHOUSE WOULD SELL ENTIRE SHARE TO AGIPN ,STATE-CONTROLLED PETROLEUM AND NUCLEAR ENERGY COMPANY. WESTINGHOUSE INTENDS TO MAINTAIN ONETHIRD SHARE OF SOPREN, HOPING THAT PARTNERS FIAT AND BRED A WILL INCREASE HOLDINGS TO ONE THIRD EACH.

4. WESTINGHOUSE MANAGER SAID THAT GOI PRESSURE IS MOTIVATION FOR SELLING TWO COMPANIES AT TIME WHEN PROSPECTS ARE HIGH THAT GOVERNMENT WILL ORDER SEVERAL WESTINGHOUSE TECHNOLOGY PWR REACTORS IN NEXT FEW MONTHS. PUBLIC AND GOVERNMENTAL PRESSURE TO PUT ENTIRE NUCLEAR ENERGY PROGRAM UNDER COMPLETE ITALIAN CONTROL HAS MOUNTED DURING PAST TWO OR THREE YEARS. IN SPRING OF 1976 WESTINGHOUSE WAS TOLD BY AGIP THAT IT WOULD LIKE TO TAKE OVER PRODUCTION OF FUEL FOR EXISTING AND FUTURE PWR TYPE REACTORS IN ITALY. WESTINGHOUSE RESPONDED THAT IT HAD NO REAL OBJECTION EXCEPT THAT ITS OWN COMPANY, COREN, HAD BEEN SET UP FOR THAT PURPOSE AND THAT WESTINGHOUSE WOULD INSIST THAT AGIP PURCHASE WESTINGHOUSE SHARE OF COREN IF IT TOOK OVER URANIUM PROCESSING.

5. NOTHING MORE WAS HEARD UNTIL SEPTEMBER 1976 WHEN AGIP INFORMED WESTINGHOUSE IT DESIRED FORMALLY TO DISCUSS MATTER. PRIOR TO MEETING, WESTINGHOUSE PRESIDENT IN US WAS INFORMED BY ITALIAN COMMERCE MINISTRY THAT AGIP'S POSITION IN FORTHCOMING MEETING WAS THAT OF ITALIAN GOVERNMENT, AND THAT MINISTRY WAS CONFIDENT WESTINGHOUSE WOULD BE COOPERATIVE IN FORTHCOMING NEGOTIATIONS. AGIP BEGAN DISCUSSION WITH WRITTEN ANNOUNCEMENT THAT IT HAD BEEN DESIGNATED AS SOLE CONFIDENTIAL

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SUPPLIER OF NUCLEAR FUEL FOR DOMESTIC NEEDS, AND THEN OFFERED TO BUY COREN. WESTINGHOUSE CONSIDERED PRICE OFFERED FOR COREN (WHICH HAD BEEN OPERATING ONLY THREE MONTHS PER YEAR AND WAS BARELY BREAKING EVEN) TO BE ATTRACTIVE AND WAS AGREEABLE. ONLY STIPULATION WAS THAT LICENSING AGREEMENT UNDER WHICH COREN HAD PRODUCED NUCLEAR FUELS WOULD NEED TO BE RE-NEGOTIATED ALONG SAME LINES WESTINGHOUSE GIVES OTHER COUNTRIES. FAVORABLE TERMS ORIGINALLY GIVEN COREN AS SUBSIDIARY, ACCORDING TO WESTINGHOUSE, COULD NOT BE GIVEN ITALIAN GOVERNMENT SINCE WESTINGHOUSE OPERATES IN WORLD MARKET AND CANNOT APPEAR PREFERENTIAL TO ANY ONE CUSTOMER. AGIP FOUND THIS POINT UNACCEPTABLE AND THE MEETING ADJOURNED. FURTHER MEETINGS HAVE BEEN HELD AND FURTHER MESSAGES HAVE BEEN SENT FROM MINISTRY OF COMMERCE TO WESTINGHOUSE HEADQUARTERS, BUT NO AGREEMENT HAS YET BEEN REACHED. WESTINGHOUSE SAYS IT IS FIRM ON QUESTION OF TERMS, SOMEWHAT PUZZLED OVER AGIP'S INFLEXIBILITY OVER A FEW MILLION DOLLARS, AND CLAIMS IT WOULD PREFER TO LEAVE ITALIAN MARKET RATHER THAN TO LICENSE ITS TECHNOLOGY

TO ITALY AT A PRICE BELOW THAT AT WHICH IT IS SELLING  
TO OTHER FOREIGN CUSTOMERS. WESTINGHOUSE MANAGER,  
HOWEVER, IS HOPEFUL AND EXPECTS MATTER TO BE RESOLVED  
IN ONE WAY OR ANOTHER WITHIN NEXT MONTH.

6. SOPREN CASE IS SLIGHTLY DIFFERENT FROM THAT OF COREN,  
ACCORDING TO WESTINGHOUSE. PRESSURE ON WESTINGHOUSE TO  
RELENGUISH ITS POSITION AS A FOREIGN MAJORITY OWNER OF  
SOPREN HAS BEEN HEAVY AND ON AT LEAST ONE OCCASION SIGEN,

A HOLDING COMPANY HELD EQUALLY BY FIAT AND BRED A, OFFERED  
TO PURCHASE MAJORITY SHARE FROM PARTNER WESTINGHOUSE.  
WESTINGHOUSE HAS RESISTED PRESSURE UNTIL RECNTLY WHEN  
PRIVATELY OWNED FIAT AND PUBLICLY OWNED FINMECCANICA (WHICH  
OWNS BREAD) BEGAN VYING FOR LEADERSHIP ROLE IN NUCLEAR  
FIELD. REPRESENTATIVES OF BOTH FIAT AND BRED A HAVE TRIED  
TO CONVINCE WESTINGHOUSE TO SIDE WITH THEIR DIVERGING  
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POSITIONS. WESTINGHOUSE HAS ATTEMPTED TO AVOID TAKING  
SIDES AND HOPES THAT SALE OF SOPREN WILL HELP CONVINCE TWO  
PARTNERS, WHO WULD EMERGE AS EQUAL HOLDERS AND TOGETHER  
A MAJORITY DOMESTIC OWNER, OF NEED TO COOPERATE.

7. WESTINGHOUSE HOPES AND PLANS TO REMAIN IN ITALIAN MARKET  
AS LICENSOR OF ITS PWR REACTOR WHICH, IT CLAIMS, ITALIAN  
GOVERNMENT REALIZES IS BEST POWER SYSTEM AVAILABLE.  
WESTINGHOUSE CLAIMS HOWEVER, THAT ITS THREATS TO LEAVE ITALIAN  
MARKET IF AGIP/GOI WILL SETTLE ONLY FOR PRICE FOR TECHNOLOGY  
AT BELOW MARKET PRICE, ARE NOT IDLE.FINA

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